

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 1999-394-E - ORDER NO. 1999-699
OCTOBER 5, 1999

IN RE: Application of Duke Energy Corporation for) ORDER
Authorization under Article 13, Chapter 27 of) APPROVING
Title 58 of the Code of Laws of South) FINANCING
Carolina to undertake certain obligations in)
connection with Issuance of Pollution Control)
Bonds.)

Duke Energy Corporation (the "Company") filed an application dated September 14, 1999 (the "Application") for authorization to undertake certain obligations in connection with issuance of pollution control bonds, in the manner described in the Application. Based on the verified Application and the Commission's entire files and records in this matter, the Commission now makes the following

FINDINGS OF FACT

1. The Company is a corporation duly organized and existing under the laws of the State of North Carolina. It is duly authorized by its Articles of Incorporation to engage in the business of generating, transmitting, distributing and selling electric power and energy, and in the business of operating water supply systems. It is duly domesticated in the State of South Carolina and is authorized to conduct and carry on business in this State, and is conducting and carrying on the businesses above mentioned in each of said States. It is a public utility under the laws of this State and in its operations in this State are subject to the jurisdiction of this Commission. It is also a

public utility under the laws of the State of North Carolina and in its operations in that State are subject to the jurisdiction of the North Carolina Utilities Commission. It is a public utility under the Federal Power Act, and certain of its operations are subject to the jurisdiction of the Federal Energy Regulatory Commission. In addition, the Company, through its subsidiaries and affiliates, engages in a broad range of energy-related businesses throughout the United States and the world.

2. The Company proposes, pursuant to its application in this Docket, to undertake certain obligations in connection with the issuance and sale of a total of \$55,000,000 aggregate principal amount of pollution control bonds in three separate series (the “Series 1999 Bonds”) by Oconee County, South Carolina (“Oconee County”) and the Gaston County (North Carolina) Industrial Facilities and Pollution Control Financing Authority (the “Gaston Authority”). Specifically, the Company seeks the Commission’s approval to undertake the repayment obligations set forth in the borrowing arrangements described in the Application. Under such arrangements, the Company will borrow the proceeds from the sale of the Series 1999 Bonds by Oconee County and the Gaston Authority, respectively, and will become obligated to repay such proceeds in such amounts and at such times as necessary to allow the respective lenders to pay their obligations on the respective series of the Series 1999 Bonds. The Company’s obligations are further described in the Application and the relevant exhibits to the Application.

The Series 1999 Bonds will consist of three series: \$25,000,000 Oconee County, South Carolina Pollution Control Revenue Refunding Bonds (Duke Energy Corporation),

Series 1999A (the “Series 1999A Bonds”) and \$10,000,000 Oconee County, South Carolina Pollution Control Revenue Refunding Bonds (Duke Energy Corporation), Series 1999B (the “Series 1999B Bonds”) each issued by Oconee County, and \$20,000,000 Gaston County (North Carolina) Industrial Facilities and Pollution Control Financing Authority Pollution Control Revenue Refunding Bonds (Duke Energy Corporation), Series 1999 (the “Gaston County Bonds”) issued by the Gaston Authority.

The proceeds from the Series 1999 Bonds will be used, together with other available moneys, to refund bonds originally issued in 1987. The bonds to be refunded are Oconee County’s Annual Tender Pollution Control Revenue Bonds (Duke Power Company Project) Series 1987 A and Series 1987 B due February 1, 2017 (the “Series 1987 A Bonds” and the “Series 1987 B Bonds”, respectively) and the Gaston Authority’s Annual Tender Pollution Control Revenue Bonds (Duke Power Company Project), Series 1987 due October 1, 2012 (together with the Series 1987 A Bonds and the Series 1987 B Bonds, the “Prior Bonds”). Each series of the Prior Bonds is more fully described in the draft Official Statement, filed as Exhibit B-1 to the Application. The Company states in its Application that the transaction will result in a lower cost of money to the Company.

CONCLUSIONS

Upon review and study of the verified Application, its supporting data and other information in the Commission’s files, the Commission is of the opinion, and so finds, that the Company is a public utility subject to the jurisdiction of this Commission with respect to its rates, service, and securities issues and that the borrowing of proceeds and

undertaking of certain repayment obligations with respect to each series of the Series 1999 Bonds, as set forth in the Company's Application, are:

- a) For lawful objects within the corporate purposes of the Company;
- b) Compatible with the public interest;
- c) Necessary and appropriate for and consistent with the proper performance by the Company of its service to the public and will not impair its ability to perform that service; and
- d) Reasonably necessary and appropriate for such purposes.

IT IS, THEREFORE, ORDERED that Duke Energy Corporation be, and it is hereby, authorized, empowered, and permitted, upon the terms and conditions set forth in its Application:

1. To borrow the proceeds of, and undertake repayment obligations with respect to, the Series 1999A Bonds, the Series 1999B Bonds, and the Gaston County Bonds, as described in the Application; and

2. To use the net proceeds of such borrowings to refund the Prior Bonds, also as described in the Application.

IT IS FURTHER ORDERED, that:

1. The Company file a written report to the Commission within thirty (30) days after the consummation of the sale of the Series 1999 Bonds and the Company's borrowing of the proceeds thereof. The report shall contain as a minimum the following data:

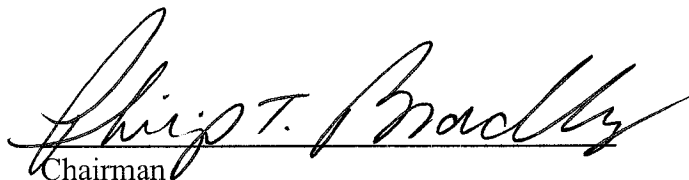
- a. Date of Sale;
- b. Principal amount sold;

- c. Stated coupon/interest rate;
- d. The offering price to the public/purchaser;
- e. The underwriters' commissions/fees;
- f. The net cost to the Company;
- g. Other direct expenses related to the issuance and sale of the securities;
- h. The specific use(s) of the proceeds;
- i. The Docket Number and the Order authorizing the sale and the amount of savings in interest to be realized from the refinancing transaction being reported; and
- j. A copy of the agreements executed in final form (as soon as available) in connection with the borrowing herein authorized.

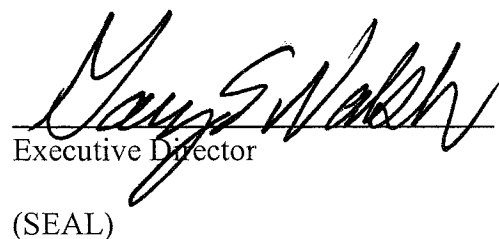
2. This proceeding be and the same is continued on the docket of the Commission, without delay, for the purpose of receiving the report as hereinabove provided. Further, the Commission's approval in this docket does not restrict the Commission's right to review and, if deemed appropriate, adjust the Company's cost of capital for ratemaking purposes for the effect of the borrowings authorized hereunder.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director
(SEAL)